INDUSTRY UPDATE

Moore's to shut 4 units in fall

ROANOKE, Va. — Moore's, a subsidiary of Grossman's, Inc., said it would shutter three of its four units in Richmond, Va., as well as its solitary unit in Raleigh, N.C., this fall.

That the company is leaving one store open in Richmond, Va., indicates the firm is convinced that contractor business can carry the field for stores where inroads of new competition have impacted consumer trade.

"The remaining yard in Richmond has a large contractor business, and now it will have a larger one," said Stanley Berman, executive vp of Grossman's, Braintree, Mass. He declined to state what percentage of the store's sales came from contractors.

The moves come as part of a continuing effort by Grossman's to close units which do not seem to offer potential for greater profitability.

This summer, the company pulled out of the Columbia, S.C., market by closing all three of its Moore's units there.

Depot opens 6th L.A.-area store

CITY OF INDUSTRY, Calif. — This Los Angeles suburb became the home in late August of The Home Depot's sixth warehouse in the Greater L.A. area. And as part of the new store introduction, Home Depot continued its ad campaign that lambastes rival Home Club.

"Experience friendship, not membership, at Home Depot," declares a page in the September catalog. "Why shop at the 'Ugly Warehouse' where you have to use those ugly and costly cards to save money?"

"Ugly warehouse" is a reference to a recent HomeClub television spot in which the announcer proclaims HomeClub to have "ugly warehouses" but "beautiful prices."

Hechinger 2Q sales top $200M

By an NHCN staff editor

LANDOVER, Md. — Hechinger Co. reported a 45 percent increase in earnings and a 26 percent sales increase for the second quarter of the year.

For the quarter, ended August 1, Hechinger reported sales of $203.8 million, up from $162.1 million a year ago.

In a statement, John W. Hechinger and Richard England, the company's co-chairmen, said this is the first time in any quarter that sales were more than $200 million and earnings were more than $10 million.

Net earnings were $12.2 million for the quarter, compared to $8.4 million for the quarter in 1986.

For the first half of the year, Hechinger reported net sales of $368.6 million, compared to $299 million for the first half of last year.

Net earnings for the first half of 1987 were $19.8 million, up from $13.3 million for the same period last year.

During the quarter, Hechinger opened three stores, in Roanoke, Va.; Baltimore; and Allentown, Pa.

Std. Brands names new auditor

TORRANCE, Calif. — Standard Brands Paint Co. said it has named Touche Ross and Co. its auditor for the current fiscal year, replacing Peat Marwick Main & Co.

The change was made in part because of the June 1987 hiring of Dan Bane as chief financial officer. Bane, 39, managed Standard Brands' audit when he was with Peat Marwick, where his wife still works.

Bane, a certified public accountant, was formerly chief financial officer of FM Entertainment.

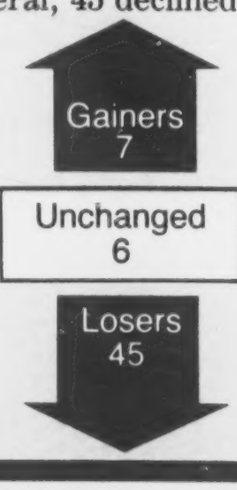
Majority of stocks decline

NATIONAL REPORT — An across-the-market decline in stock prices had a considerable effect on home center stocks for the two-week period that ended Sept. 4.

Of 58 stocks tracked by Media General, 45 declined in price, seven increased in price, while six remained unchanged.

USG Corp. was the only company on the list to experience a double digit increase in its stock price. Over the two-week period, its stock increased by 13.6 percent to $45.88.

Palmer G. Lewis increased 7.6 percent to $8.88, while Wickes went up 3.4 percent to $19.00. Wolohan Lumber declined 14 percent to $16.13.



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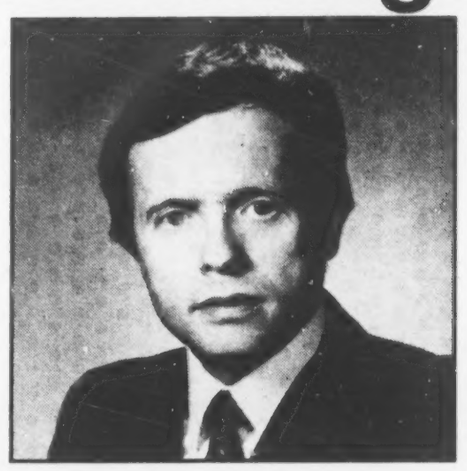
Rapid growth prompts American to create new management level

By an NHCN staff editor

BUTLER, Pa. — American Hardware Supply has created a new level of upper management by appointing eight operating officers.

The move, effective August 10, was in response to the rapid growth experienced by American Hardware in the last year.

The company grew by $193 million in 1986 and is projected to grow a further $180 million this year, according to Larry Zehfuss, president and ceo. In the year ended June 30 American generated sales of $900 million. "When you're handling this kind of growth a lot of the basic day-to-day operations are not given management attention," said Zehfuss.



John Kaufman, operating officer at American Hardare.

This will be remedied by the new level of operating officers handling staffing, budgeting and the overall day-to-day operations.

"These people are our building blocks for the future," said Zehfuss. "The team approach is the way to go; we don't need individual stars."

All the new operating officers were promoted from within. They are: Larry Davis, management information systems; Bernie Day, general manager of lumber/building materials; Jim Haley, hard goods merchanidise; Don Hoye treasurer; Jerry Juszak, advertising/private label/imports and new ventures.

Also, John Kaufman, operations, who will continue to serve as Butler DC manager and as part of the corporate officer group; and Susanne Quattro, corporate controller, and Allen Tansil, national sales manager.

Coast president Ralph Dillon resigns

By an NHCN staff editor

DENVER — Ralph D. Dillon, president, chief operating officer and a director of CoastAmerica Corp., has resigned.

Richard H. Bard, 39, chairman and ceo, said that he has assumed the additional titles of president and coo of the firm, which through its operating subsidiary, Coast to Coast Stores Inc., franchises nearly 1,000 hardware stores.

Dillon, 46, told *NHCN* the decision to leave on August 31 was mutually agreed upon after Bard and he "discussed several alternatives."

"We ended up with two guys fully qualified as president and didn't need two. I felt it was a good opportunity for me to do something else," said Dillon, who remains a "significant stockholder" in CoastAmerica.

Ralph D. Dillon, president and ceo of Coast to Coast.

Bard, who has been the chief executive at Coast to Coast since January 1986 said, "In reality, we had two full-time people running this company, and that made it tough. I appreciate Ralph staying on as long as he did."

Dillon joined the company in April 1985. Formerly, he was president and ceo of Dallas-based Bowater Home Centers, a 14-month-old warehouse chain acquired by Home Depot in October 1984 Previously he was with Wickes Lumber for 10 years serving as area vp-personnel.

Concerning his future plans, Dillon said, "I am looking at a company to purchase and I also have several things I am investigating, all in the retailing field. Quite frankly, I am busy."

Scotty's fiscal '87 sales top $515 mil.

By an NHCN staff editor

WINTER HAVEN, Fla. — Scotty's reported a 4.3 percent increase in sales to $515.3 million for fiscal year 1987, which ended June 27.

Net earnings dropped 23.9 percent to $10.3 million. Earnings per share came in at 71 cents, down from 93 cents in 1986.

Gross margin, a measure of market pressure on shelf prices, declined from 31.6 percent of sales in 1986 to 31.0 percent last year.

Scotty's noted that its expansion program and a rise in insurance costs exerted pressure on its operating margins.

Operating expenses increased from 26.6 percent of sales in 1986 to 27.2 percent of sales in 1987. These included higher insurance costs and greater depreciation resulting from the expansion program.

Operating income, which measures performance before interest expenses and taxes, came to 3.9 percent of revenues for the year. The previous year, the figure was 5.1 percent. Net margin was 2.0, down from 2.7 for 1986.

Scotty's Fiscal 1987
(year ended 6-27-87)

Sales	$515.3
Gross profit	159.8
Payroll and benefits	83.7
Operating expenses	140.0
Interest expense	6.2
Net income	10.3
Inventories	114.1
Long-term debt	52.9
Stockholders equity	172.9
Total assets	305.5

Numbers do not add due to rounding and exclusion of some items.
Source: Scotty's *NHCN* chart

Harold W. Taylor, the company's chief financial officer, noted in a prepared statement that the tax rate was "the highest we've had in recent years, at 48.5 percent of pretax income. Of course, we'll get relief in our new fiscal year as the tax rate declines to approximately 37 percent."

Taylor added that if the new tax rate had been in effect it would have added 15 cents per share to fiscal 1987 earnings.

Taylor noted that the past year's results "tend to mask our true progress. The fundamentals were accomplished. Inventory controls kept costs in check. Our expansion program continued without the need for additional financing and the company closed the fiscal year in strong financial condition."

Long-term debt came to $52.9 million at the end of the year, or 23.4 percent of total capitalization. In 1986, the company's long-term debt of $56.5 million represented 25.1 percent of total capitalization.

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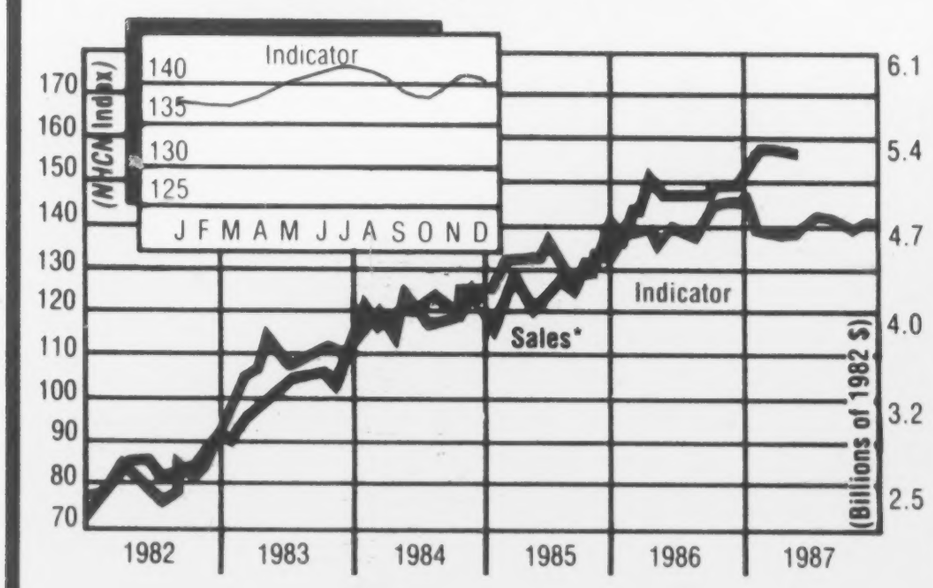


*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales increased slightly in the second quarter, but the rise in mortgage rates suggests weakness in starts and resales ahead.

Recent shift to adjustable rate mortgages will benefit sales

By Richard E. Mount
Special to NHCN

Building material sales will get an assist this year from the increased use of adjustable rate mortgages by home buyers.

In a rising mortgage rate environment, the shift to adjustable rates, which have lower monthly payments than fixed, will keep single-unit starts and resales high. We expect building material sales to increase 9 percent this year, 7 percent after inflation.

Housing finance took a step back to adjustable rate mortgages (ARMs) from fixed rate mortgages (FRMs) in recent months. Nineteen percent of new home mortgages were adjustable in April 1987, rising to 45 percent by July.

Richard E. Mount

In spite of the run up, ARMs remain well below the 70 percent peak reached in August 1984. For housing, the larger use of ARMs which carry lower rates than FRMs, means that home buyers will be able to offset, to a large degree, the rise in mortgage rates that began in April.

ARMs first became popular in housing finance in 1984. The financial conditions of savings and loan institutions began to improve after the recession of 1982. ARMs provided the thrifts with a safe means to increase their mortgage holdings without raising the number of fixed-rate loans in their portfolios.

During the 1970s, thrifts

(Continued on page 16)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1986				1987						
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		**124.7**	**127.9**	**132.1**	**137.1**	**138.6**	**140.2**	**141.9**	**140.4**	**118.5**	**130.4**	**140.3**
General Economic Outlook												
	GNP $1982 Billion	**3,698.8**	**3,704.7**	**3,718.0**	**3,731.5**	**3,772.2**	**3,793.7**	**3,814.9**	**3,838.2**	**3,607.5**	**3,713.3**	**3,804.8**
	Real Disposable Income $1982 Bil.	2,610.5	2,660.2	2,653.2	2,656.7	2,674.6	2,647.8	2,668.4	2,685.1	2,542.2	2,645.2	2,669.0
	Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,695	1,535	1,550	1,575	1,733	1,762	1,589
	Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,795	1,615	1,600	1,600	1,742	1,806	1,653
	New Home Sales (000 SAAR)	791	794	685	712	724	675	650	675	688	749	681
	Resales (000 SAAR)	3,256	3,470	3,615	3,927	3,617	3,610	3,500	3,500	3,214	3,565	3,557
	Prime Rate %	9.4	8.6	7.9	7.5	7.5	8.1	8.4	8.5	9.9	8.4	8.1
	Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	10.3	10.4	10.4	12.5	10.2	10.1
	Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	335.0	339.0	342.3	346.0	322.1	328.3	340.6
	Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.2	292.1	296.1	298.5	301.8	293.8	289.8	297.1
	New Housing Affordability 1980-100)	128.6	129.4	126.1	128.9	129.2	127.3	119.3	118.8	117.6	128.3	123.7
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	**91,800**	**83,300**	**104,400**	**86,700**	**94,581**	**96,972**	**98,978**	**101,386**	**80,267**	**91,416**	**97,979**
	Maintenance and Repair	37,700	29,800	40,600	36,300	37,570	38,288	39,094	39,834	35,358	35,990	38,697
	Additions and Alterations	33,900	39,600	44,700	35,400	39,318	40,538	41,334	42,647	28,775	38,662	40,959
	Major Replacements	20,200	13,900	15,000	19,100	17,693	18,146	18,550	18,904	16,134	16,766	18,323
Constant	**Total Millions $1982 SAAR**	**83,655**	**74,114**	**96,100**	**83,969**	**86,600**	**87,910**	**88,840**	**90,100**	**74,614**	**84,459**	**88,363**
	Maintenance and Repair	34,355	26,514	38,900	33,569	34,400	34,710	35,090	35,400	32,864	33,334	34,900
	Additions and Alterations	30,892	35,233	42,828	32,737	36,000	36,750	37,100	37,900	26,791	35,423	36,938
	Major Replacements	18,408	12,367	14,372	17,663	16,200	16,450	16,650	16,800	15,180	15,702	16,525
Retail Trade Activity												
Current	**Total $ millions SAAR**	**1,414,624**	**1,431,108**	**1,486,596**	**1,486,648**	**1,469,808**	**1,505,100**	**1,535,502**	**1,553,368**	**1,379,621**	**1,445,875**	**1,516,444**
	Total Minus Automobile	1,104,376	1,109,508	1,122,908	1,133,900	1,155,900	1,165,824	1,190,384	1,204,521	1,067,762	1,117,943	1,179,157
	Building Material, Hardware, Garden Supply, Mobile Home	86,136	87,528	88,884	89,488	91,132	89,548	96,130	96,594	75,556	88,009	93,351
	Building Material and Supply	63,708	64,396	62,956	64,584	69,660	68,780	72,672	74,560	55,695	65,529	71,418
	Hardware	10,500	10,884	11,832	11,748	12,092	12,160	12,564	12,723	10,397	10,700	12,385
Constant	**Total Millions $1982 SAAR**	**1,318,831**	**1,348,823**	**1,389,643**	**1,381,478**	**1,346,715**	**1,361,254**	**1,375,000**	**1,379,000**	**1,290,208**	**1,359,694**	**1,365,492**
	Total Minus Automobile	1,037,082	1,058,355	1,064,708	1,069,709	1,069,597	1,065,327	1,077,000	1,079,000	1,004,894	1,057,464	1,072,731
	Building Material, Hardware, Garden Supply, Mobile Home	80,759	84,456	84,518	83,480	84,277	82,559	87,750	87,300	71,518	83,303	85,472
	Building Material and Supply	59,719	62,132	59,866	60,242	64,420	63,411	65,750	66,200	52,663	60,490	64,945
	Hardware	9,845	10,504	11,251	10,960	11,182	11,212	11,470	11,500	9,852	10,640	11,341
	Building Materials % of Total Less Automobile ($Current)	5.77	5.80	5.61	5.70	6.03	5.90	6.10	6.19	5.22	5.86	6.06

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
September 3, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Use of adjustable rate mortgage to aid sales

(Continued from page 17)
faced severe strains when inflation and interest rates rose when they held large blocks of low-yielding, conventional mortgages.

"Teaser" rates on ARMs, which had low rates in the first few years of the loan, were offered to entice home buyers to take on the thrifts' traditional risk of rising interest rates. In the second half of 1984, two out of three new home mortgages were adjustable.

In 1985, ARMs' share of total mortgages trended lower. The spread between ARMs and FRMs narrowed, induced in part by the reduction in "teaser" rates.

Lending institutions faced rising delinquency rates and responded by tightening underwriting standards. There was a growing concern that, when "teaser" loans reverted to market rates, delinquencies would increase more.

By early 1986, the gradual decline in ARMs as a percent of total became a rout. The drop in mortgage rates, sparked by the fall in energy prices, brought buyers back to conventional, fixed rate, mortgages. In early April 1987, ARMs were down to 19 percent of new home mortgages.

Widening the gap

The rise in interest rates during April and May, however, began to widen the gap between fixed and adjustable rate mortgages.

Potential home buyers recognized that the 174 basis point jump in mortgage rates from March 27 through May 22 could be largely offset by the 129 basis point difference between FRMs and ARMs.

Demand shifted back to the then almost forgotten ARMs and they rose to 34 percent of mortgages for new homes in June and 45 percent in July. During this time, the gap between FRMs and ARMs increased to 204 basis points, making adjustable rate mortgages all the more attractive to buyers.

ARMs should continue to rise as a percent of total mortgages through 1988. With mortgage rates expected to trend upwards, buyers will turn increasingly to ARMs because of their lower rates.

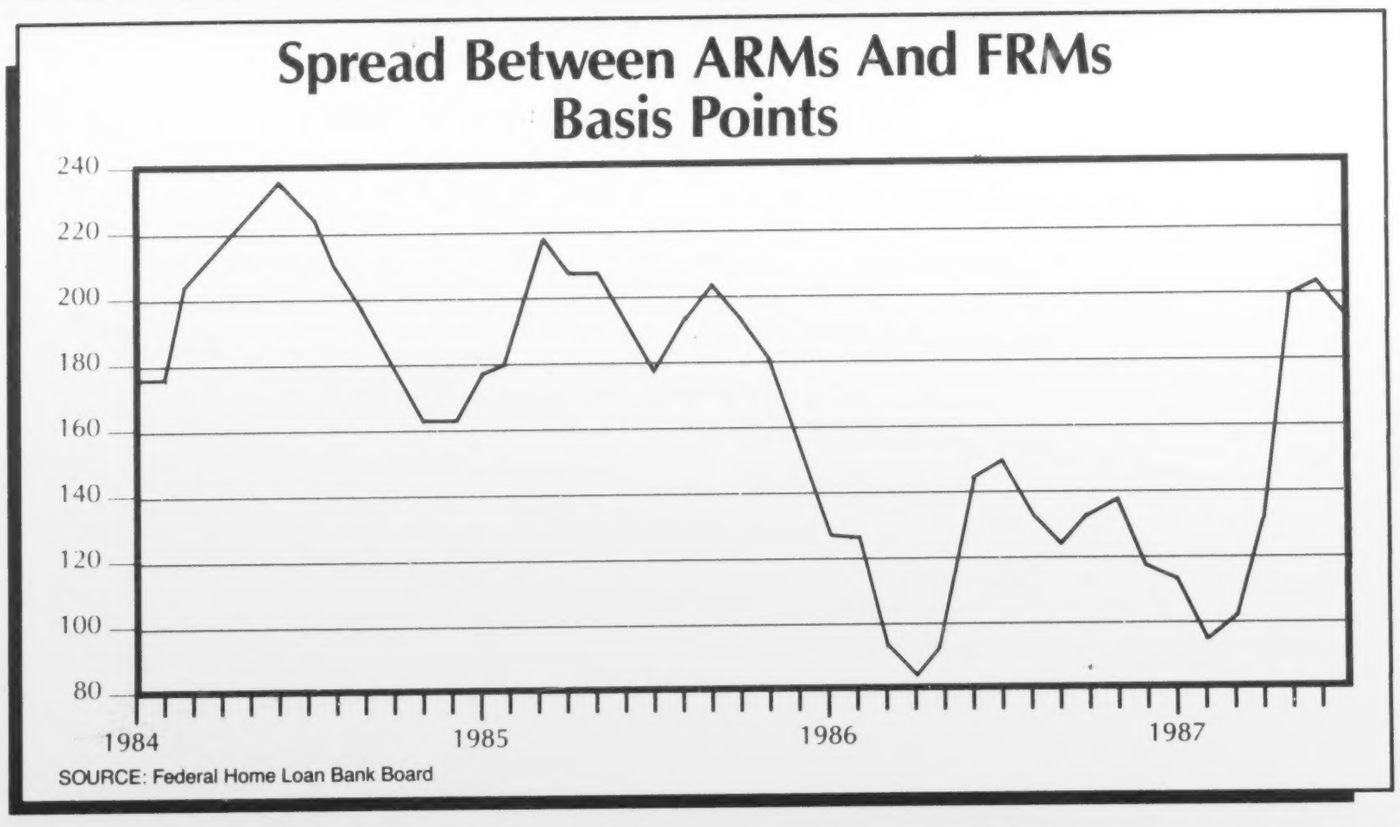
ARMs should not regain a 70 percent market share as in 1984, however, but only to 55 percent to 60 percent. First, thrifts will be reluctant to offer "teaser" rates again.

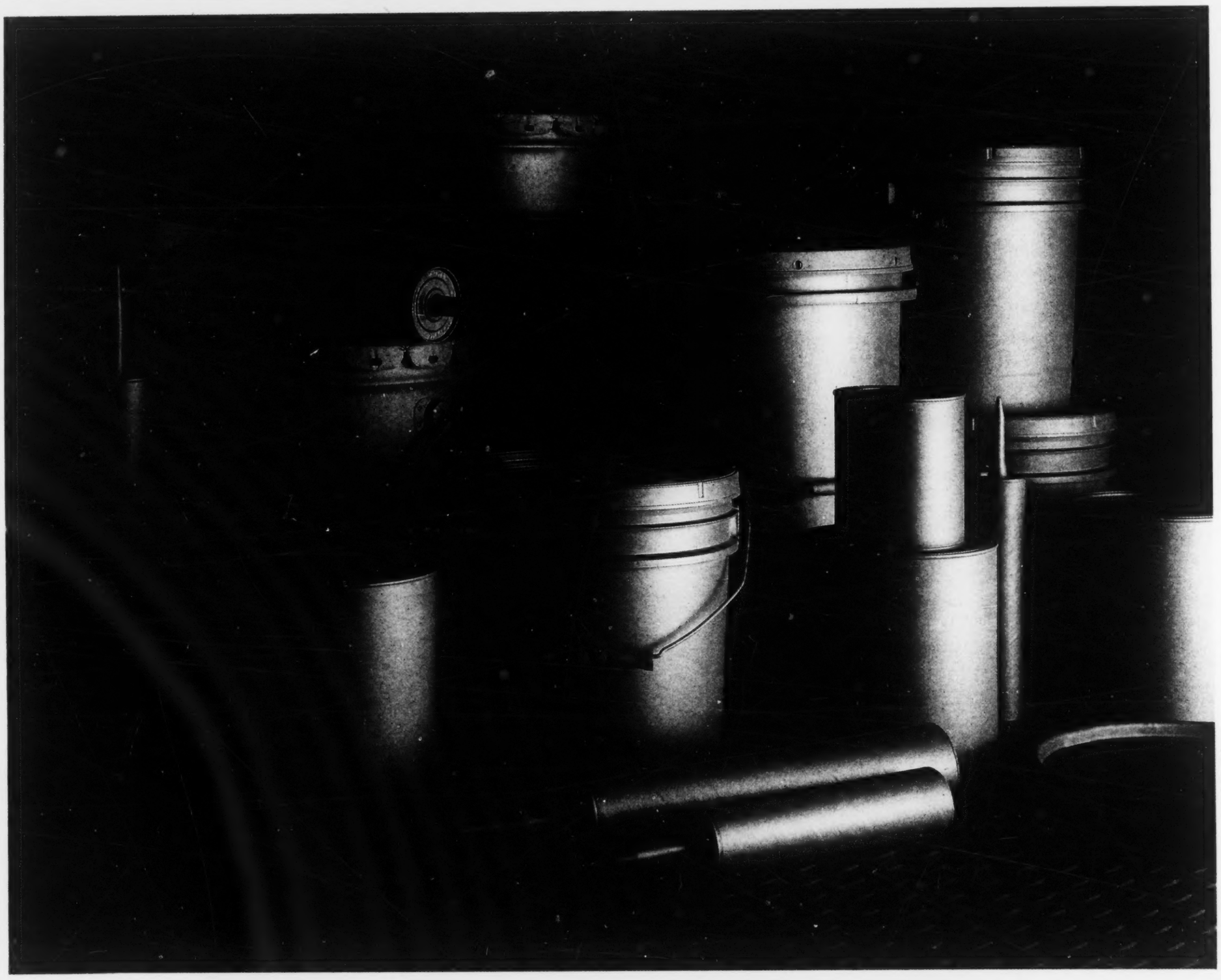
Second, demographics are turning against first-time home buyers and older buyers, less likely to move after a few years than their younger counterparts, would prefer the assurances of fixed rate mortgages.

For building material retailers, the increased use of adjustable rate mortgages, with lower rates than conventional, will keep single-unit starts and resales stronger than if only fixed rate mortgages existed.

In a rising mortgage rate environment, ARMs will be one of the supports for the 9 percent rise in building material sales that we anticipate.

With mortgage rates expected to trend upwards, buyers will turn increasingly to ARMs because of their lower rates.





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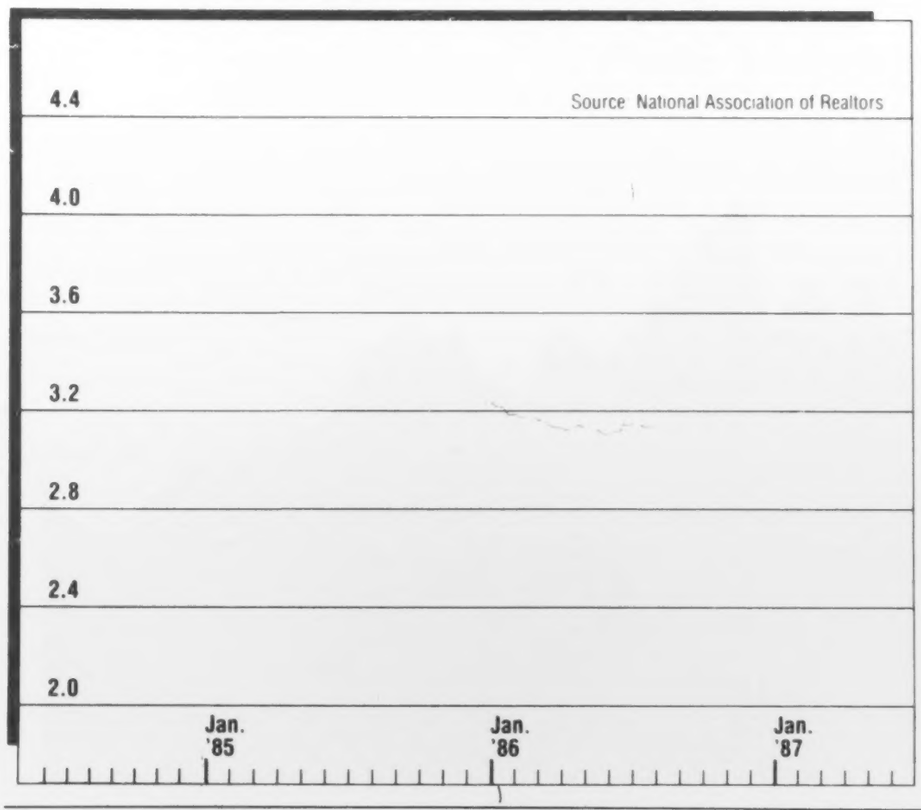
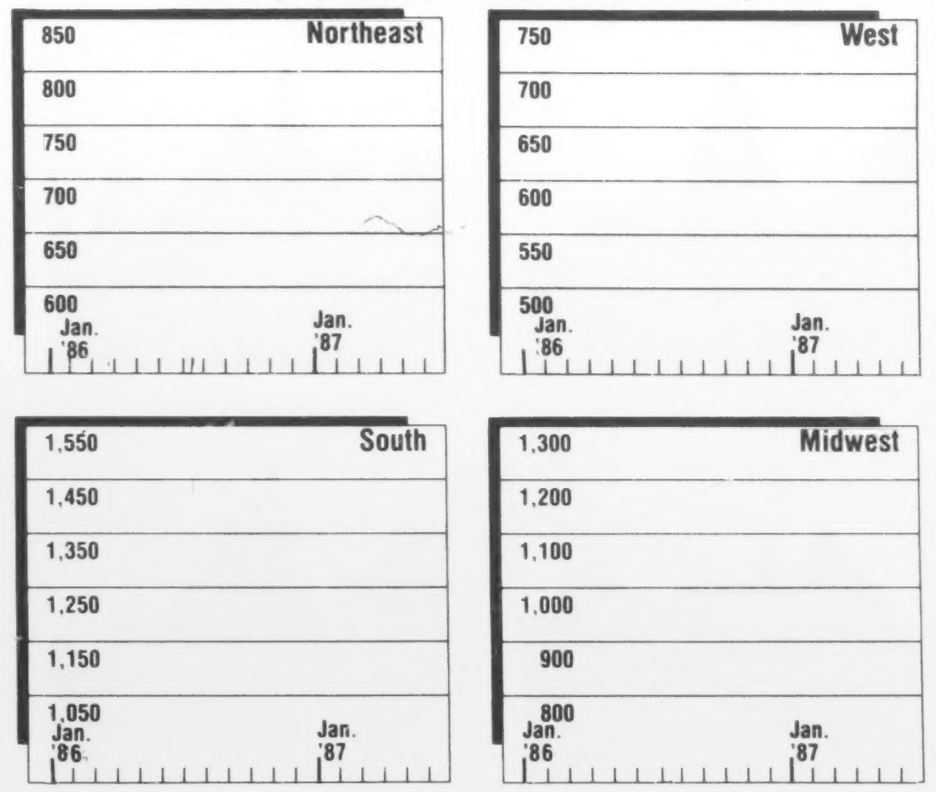
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



July resales flat as buyers eye loan rates

By an NHCN staff editor

NATIONAL REPORT — Home resales were flat in July, with potential buyers apparently waiting to see if mortgage rates will drop.

But John A. Tuccillo, chief economist for the National Association of Realtors (NAR), is predicting "a return to normal levels of sales" for the remainder of the year.

Tuccillo warned, however, that higher long-term interest rates could threaten housing affordability, for both resales and new homes.

The Commerce Department reported that new home sales were up .5 percent in July.

"We've had two months of (sales) rebound, but it's weak and it's threatened by what's been happening in the bond market," Tuccillo said.

Median Sale Price
(in thousands of dollars)

	July[r]	June[p]	May	April
U.S.	$ 85.8	$ 85.2	$ 85.2	$ 85.6
Northeast	131.8	136.4	32.4	129.4
South	79.8	80.5	81.4	81.8
Midwest	66.1	65.6	66.3	67.6
West	107.1	105.1	103.2	103.3

[p]-preliminary [r]-revised
Source: National Association of Realtors

The median national price for existing family homes was $85,800 in July, compared to $85,200 in June. But the July figure was 7.4 percent more than the year-ago median price of $79,900.

The NAR said a seasonally adjusted 3.53 million units changed hands in July, less than 1 percent more than June's 3.5 million.

Sales increased slightly in the West, from 640,000 units in June to 680,000 in July. The median price for the region was $107,100, up from $105,100 in June.

Prices dropped in the Northeast, though the region continued to lead the country in housing resale costs. The median price for the region in July was $131,800, down from $136,400. And the number of units sold dipped from 690,000 to 680,000.

Tuccillo said the slip may be indicative.

"While the small decline in sales is of no statistical significance, it suggests that the Northeast may in fact be cooling off from a frantic pace sustained over the past several years," he said. "The price drop adds to the impression that activity is slowing down."

The lowest prices were in the Midwest, though the region did show an increase. Price stood at $66,100, up slightly from $65,600 in June. In the South, prices slipped marginally, from $80,500 in June. to $79,800 in July.

Tuccillo said that the essentially flat sales and prices in the South and Midwest may indicate that "the economically troubled spots in those regions may have bottomed out and are stabilizing."

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LUMBER REPORT

Availability, lower prices help ignite redwood sales

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — In a summer marked by record demand for treated lumber, a little-noticed trend unfolded: Redwood came back.

Whether it's a result of aggressive marketing by industry associations or redwood producers piggybacking on builders' and consumers' voracious demand for treated lumber, many observers agree that the summer deck-building season boosted the redwood industry.

Retailers, manufacturers and wholesalers agreed that treated southern yellow pine continued to dominate the market in deck projects, but demand for redwood grew in areas where the product had long struggled for market share, particularly in the East and Midwest.

"I measure orders of treated lumber by the carloads and redwood by the truckload," said John Callahan, specialty lumber buyer for Riverhead Lumber, a five-unit chain based in Riverhead, N.Y., on Long Island. "So redwood is not even close to the demand levels of treated.

"But our sales in redwood is up 35 percent."

Promoted for deck building

Like many of his industry colleagues, Callahan said the chief purchaser of redwood seemed to be affluent consumers willing to pay a premium for a product that appears to be more aesthetically appealing than treated lumber.

"Treated lumber came in and filled the void of a cheap deck," said Stephen Sabbeth, president of Sabbeth Industries, a national wholesaler. "But redwood and red cedar are making inroads on treated and the prices are more competitive than what they were years ago."

Although the freight charges of redwood makes it an expensive product to stock in the East—perhaps as much as $15 to $20 a thousand board feet more than treated, depending on thickness and grades—the price seemed to be the least of some dealers' concerns.

Joe Daigneault, lumber buyer for the 16-unit Gerrity Building Centers, Meredith, N.H., said it stocked construction-grade redwood for the first time in the chain's history this summer and was "surprised" by shoppers' demand for the product. He said demand was so great that next year the company will try to buy redwood mill-direct rather than from a wholesaler.

"It was a helluva good start for us, a trial balloon, really," Daigneault said, "but we wanted to feel out the market and, based on how things went, I can see going mill-direct next year."

The comeback of redwood, which enjoyed much wider market penetration before the advent and cost advantages of treated lumber, brings redwood manufacturers much relief. Their industry had been pounded by militant environmentalists, a federal government that seized tens of thousands of redwood acreage for a national park, and freight costs that made shipments to the East an exorbitant proposition.

But with railroads struggling to remain profitable, the deregulation of trucking and the industry's increasing harvesting of second growth forestland, redwood is reclaiming some lost ground.

At the same time, many mills are using the kiln drying process in redwood to remove moisture and reduce weight, thereby, further reducing freight costs.

While treaters charge that redwood turns an unsightly black or grey over the years, redwood manufacturers counter that the species does not require any preservatives and is practically fire proof due to its chemical makeup.

Two-yr. production growth

Figures from the California Redwood Association (CRA)—an industry standards and marketing group comprised of four redwood manufacturers whose output purportedly accounts for 60 percent of all redwood production—shows production is running 30 million board feet ahead of the six-month period for last year. Through the first half of 1987, 310 million board feet of redwood had been produced, compared with 280 million for the same period a year ago.

The trend holds true when comparisons are made between the years 1986 and 1985. In 1985, the CRA members produced 534.1 million board feet of product. A year later, 573.7 million board feet of redwood was produced by CRA-member mills.

This production was supplanted by a more vigorous marketing thrust of the CRA, which came to recognize the insatiable decking market. Although a CRA spokesperson acknowledges that the industry cannot and does not expect to take over the decking market, it is moving to expand its penetration.

"We realize that there is a tremendous deck market out there and we definitely want a piece," said Chris Grober, assistant promotion manager for the CRA. "People don't realize that the amounts of redwoods produced are increasing every year and will continue to do so for the next few years."

One of the tasks Grober said the CRA had been working on in the recent past was to change the persistent misperception that redwoods take a long time to grow. This concern fuels conservationist claims that the mills are destroying centuries-old organisms.

Recently, CBS Nightly News rekindled the environmental debate when camera crews focused on a 500-year-old, first-generation, California redwood that was cut in 20 minutes.

"It's true that they live a long time," Grober said, "but they grow faster than Doug fir or southern yellow pine." He said that although the 60-to-80-year growth to harvest cycle of redwood seems long, the species of conifer is the fastest among evergreens and has paved the way for the current crop to be harvested.

Among the market niches that evolved from the second growth harvest have been what the industry refers to as garden-grade redwood for decks and fencing and rustic, knotty that are competing with cedar and building materials in siding applications.

Popular with the affluent

Harold Bratten, national sales manager for Miller Redwood Co., Arcadia, Calif., a member company of the CRA, said one reason redwood has reappeared in the East is that the species never lost favor with affluent shoppers or those who wanted to improve the look of their backyards.

"Like red cedar, our industry was knocked out when all the treaters came on the scene with their heavy promotion and spending millions and millions on advertising," Bratten said. "But I don't think they ever realized that redwood never lost its popularity. It's just a better looking product."

A merchandising executive for Knox Lumber, St. Paul, Minn., whose chain's sales of redwood jumped 50 percent this summer, said when treated lumber and redwood are within similar price points, most deck shoppers pick the redwood. It's only when redwoods start inflating that the product suffers in the market, the executive noted.

"It's been a wonderful year for all redwood, cedar and treated, but our redwood sales have probably doubled," the executive said, who asked not to be named. "I think it's the perception of our shoppers that redwood is a quality product."

Daigneault, the lumber buyer for Gerrity Building Centers in New Hampshire, said he sensed that redwood sales were fueled by a degree of vanity on the part of some shoppers who wanted a "distinctive alternative" to treated lumber. Moreover, he said many of the chain's builder and consumer shoppers had expressed concerns about the chemicals used in treated lumber.

He added the company advises its shoppers to use treated and redwood in tandem in building decks. The treated lumber forms the ground-contact pillars while the redwood is the deck surface.

FINANCIAL NEWS

Dealers juggle many factors to gain vendor financing

By Phillip M. Perry
NHCN staff editor

With merchandise being such a large portion of a home center's assets, most retailers are always searching for as much vendor financing as possible.

Behind the Numbers

The more vendor financing obtained, the less debt needed to finance inventory sitting on the shelf or in the warehouse. Interest payments are minimized. Company earnings are enhanced.

Some observers have said part of the allure of warehouse retailing is that such operators can turn merchandise so fast they get cash from customers before it's time to pay vendors.

Inventory factors differ

In reality, however, a variety of competing forces determines what portion of inventory a home center can get a vendor to finance.

Vendor Financing of Inventory
(Average Accounts Payable Divided by Average Inventory)

Strober Organization	119%
General Bldg. Products	58
Wolohan	51
Lowe's	49
The Home Depot	38
Payless Cashways	34
Hechinger	32
Scotty's	32
Pay 'N Pak	21
Median	38

Source: Company reports. *NHCN* chart.

One retailer buys a huge quantity of one category of merchandise, so it's in a position to negotiate longer dating. Another invests heavily in commodity items, and thus achieves greater turns, which facilitate more vendor financing.

Still another sells a greater portion of merchandise in bulk deals to large contractors. So it negotiates dating to match delivery and collection.

Still another prefers to take every discount offered. While that represents a good cash investment, it results in less vendor financing of inventory.

"To be in this business, you have to take advantage of the terms," says Robert S. Koebele, vp finance for General Building Products, Medford, N.Y. While this company reports it often gets items such as windows and doors for a 2 percent discount for payment in 10 days, that doesn't apply to many other departments.

"Some vendors give you no terms," says Koebele. In such cases, whether the check goes out in 30 or 60 days depends on what deal was struck with those vendors.

Dating terms vary

Some retailers say vendors of commodities often require prompt payment, often by the 10th of the month subsequent to delivery. "In such cases, the maximum you get is 40 days, but it can get as tight as 11 days," noted Marshall L. Day, controller of The Home Depot. Yet he says that for some special categories vendors will give three months' billing.

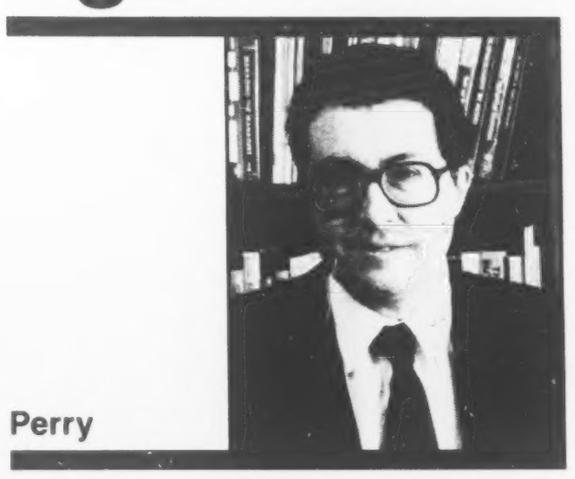
Chains experience quite a spread in the number of days they take to pay vendors. The number can be calculated first by dividing the cost of goods sold by the average accounts payable, to get an accounts payable turn. Then 360 is divided by the turn number to get the number of days of vendor financing.

When nine publicly held building material retailers are considered as a group, they experience a median of 31 days between arrival of merchandise and sending of checks to vendors.

Strober Organization pays in an average of 48 days, well over the second place runner, Lowe's, which pays in an average of 35 days. Those paying fastest are Hechinger at 26 and Wolohan at 25.

How promptly vendors get their checks is but one factor impacting their financing of inventory. The other is how fast the retailer turns inventory, on the average.

The two factors together determine the percentage of total inventory financed by vendors. For nine retail chains, the median vendor coverage of inventory in 1986 was 38 percent.


Perry

In 1986, Strober Organization was clearly the most aggressive, with vendors financing no less than 119 percent of its inventory.

"This means it's not a drain on our working capital to open a new facility," says Gary A. Nacht, cfo for Strober.

Retailers negotiating more than the median amount of vendor financing seem, like Strober, to have strong contractor trade. General Building Products, Wolohan and Lowe's all achieved above median vendor coverage.

* * * * *

The bottom line—The total size of mergers involving retailers more than doubled from $9.3 billion in 1985 to $20 billion in 1986, according to a report last month from Arthur Andersen & Co., Chicago.

An angry mob from aisle "C" confronts Mr. Mertz about his confusing assortment of watering products, causing him to become somewhat of a sprinkling system unto himself.

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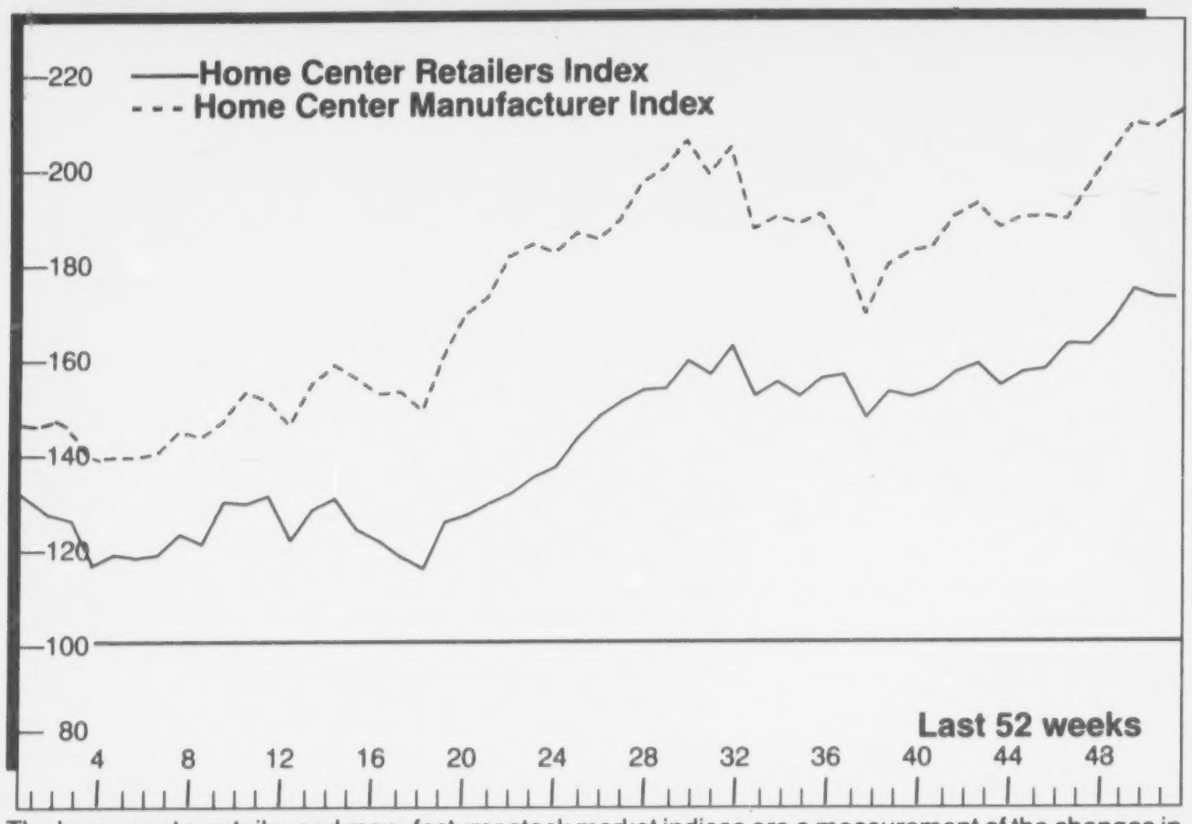
FINANCIAL NEWS

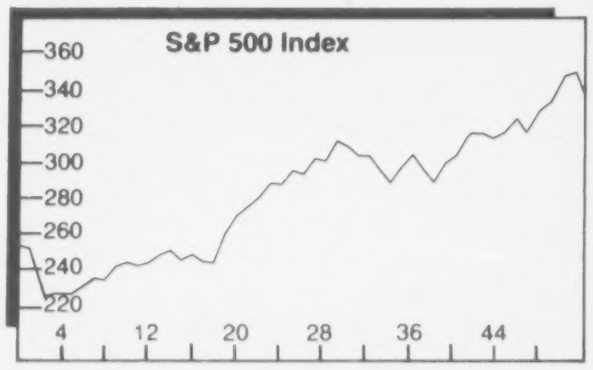


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on February 5, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
9-04-87		(100)	%	%
Lewis Palmer	M	2,903	258.7	7.6
USG Corp	N	38,830	241.9	13.6
Pope & Talbot	N	5,472	239.6	- 1.1
Supermkts Gen	N	8,870	223.9	- 1.3
Wickes n	N	23,280	204.4	3.4
Nortek Inc	N	6,091	188.5	- 2.8
Hughes Supply	N	743	185.9	- 5.2
Payless Cash	N	21,837	181.3	- 8.9
Stanley Works	N	7,171	180.0	- 3.5
Thos Inds	N	1,252	173.9	- 2.3

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market		2-Weeks Ended 9-04	2-Week Price Change	Total 2-Week Volume
9-04-87		$	%	(100)
USG Corp	N	45.88	13.6	38,830
Lewis Palmer	M	8.88	7.6	2,903
Clairson Intl	M	10.50	5.0	1,979
Wickes n	N	19.00	3.4	23,280
Newell Co	N	40.13	1.9	1,884
Pay n Pak	N	20.88	1.2	683
Am Standard	N	52.50	1.0	11,208
Am Consum Prods	M	14.00	.0	1,029
Natl Lumber	M	5.00	.0	380
Natl Hardgoods	M	8.88	.0	313
Losers		$	%	(100)
Wolohan Lumber	M	16.13	- 14.0	2,276
Sears, Roebuck	N	52.25	- 9.9	74,119
Masco Corp	N	35.00	- 9.7	24,695
K mart Cp	N	42.25	- 9.4	58,006
Payless Cash	N	20.50	- 8.9	21,837
Union Camp	N	41.00	- 8.9	23,109
Am Woodmark	M	13.50	- 8.5	135
Moore Handley	M	8.25	- 8.3	11
Zayre Corp	N	28.38	- 8.1	38,440
Potlatch Cp	N	34.75	- 7.9	3,985

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: Price: 2-Weeks Ended 9-04-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Grossman's Inc	M	9.13	- .63	- 6.4	9.75	9.13	11.25	6.75	10,340	5.17	5.18	- .2	NE	.00	.0	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A	M	24.00	- 1.25	- 5.0	26.13	24.00	26.50	16.00	11,611	10.62	6.08	74.7	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	23.75	- 2.00	- 7.8	26.25	23.75	26.75	16.25	590	.37	.27	37.0	21.4	.06	.3	NEW	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot	N	39.00	- 2.50	- 6.0	41.88	38.25	42.13	16.50	8,259	2.80	2.05	36.6	28.9	.02	.1	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.50	78.6	715.4	47.2	28.4	130.9	.93	93.8
INTERCO Inc	N	50.88	- 1.63	- 3.1	53.50	49.50	54.00	36.63	6,676	2.34	1.79	30.7	15.5	1.60	3.1	.....	3 mos.	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp	N	42.25	- 4.38	- 9.4	47.13	42.25	48.38	28.84	58,006	2.88	1.66	73.5	13.2	1.16	2.7	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos	N	26.75	- 1.38	- 4.9	28.50	26.50	32.75	22.50	10,913	2.75	1.35	103.7	18.3	.44	1.6	NEW	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods	M	8.88	.00	.0	9.25	8.75	10.00	6.88	313	2.54	1.15	120.9	12.7	.00a	.0	.....	3 mos.	04-87	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0
Natl Lumber	M	5.00	.00	.0	5.50	5.00	7.50	4.00	380	.67	.36	86.1	NE	.00	.0	.....	*	04-87	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak	N	20.88	.25	1.2	21.00	20.63	21.50	9.50	683	.68	4.61	- 85.2	26.8	.40	1.9	.....	3 mos.	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash	N	20.50	- 2.00	- 8.9	22.50	20.25	26.88	15.88	21,837	6.30	2.24	181.3	16.1	.16	.8	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc	N	14.00	- .38	- 2.6	15.00	14.00	15.88	12.00	1,692	1.16	.54	114.8	19.7	.52	3.7	NEW	fiscal	06-87	136.4	1.3	3.3	- 13.2	.23	- 11.5	515.3	4.3	10.3	- 23.7	.71	- 23.7
Sears, Roebuck	N	52.25	- 5.75	- 9.9	59.00	52.00	59.50	39.00	74,119	1.97	1.07	84.1	12.7	2.00	3.8	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Pnt	N	29.38	- 1.13	- 3.7	30.75	29.25	31.88	20.50	8,828	7.92	6.89	14.9	22.3	.60	2.0	NEW	3 mos.	04-87	79.4	2.1	3.1	- 6.1	.28	- 3.4	79.4	2.1	3.1	- 6.1	.28	- 3.4
Strober Organiz	M	10.25	.00	.0	11.00	10.25	15.25	10.25	696	1.15	1.04	10.6	10.9	.00	.0	.....	6 mos.	06-87	26.3		1.6		.26		47.6		2.6		.43	
Supermkts Gen	N	39.00	- .50	- 1.3	40.25	39.00	46.75	22.50	8,870	2.30	.71	223.9	25.5	.28	.7	.....	3 mos.	04-87	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes n	N	19.00	.63	3.4	21.13	18.00	25.00	15.63	23,280	4.87	1.60	204.4	6.3	.00	.0	.....	3 mos.	04-87	1540.4	54.8	82.7	426.8	1.70	1600.0	1540.4	54.8	82.7	426.8	1.70	1600.0
Wolohan Lumber	M	16.13	- 2.63	- 14.0	18.38	15.63	18.75	7.50	2,276	3.88	2.06	88.3	13.1	.20	1.2	.....	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp	N	28.38	- 2.50	- 8.1	31.50	28.25	32.88	20.75	38,440	6.61	5.14	28.6	10.2	.40	1.4	NEW	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																														
Hughes Supply	N	27.13	- 1.50	- 5.2	30.25	27.00	30.25	20.63	743	2.23	.78	185.9	11.9	.40	1.5	NEW	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley	M	8.25	- .75	- 8.3	8.50	8.25	14.50	6.75	11	.04	1.34	- 97.0	18.8	.00	.0	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer	M	8.88	.63	7.6	8.88	8.38	9.88	7.25	2,903	7.21	2.01	258.7	24.0	.28	3.2	NEW	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc	M	13.00	- .25	- 1.9	14.00	13.00	14.00	8.00	246	1.45	1.67	- 13.2	12.3	.32b	2.5	.....	6 mos.	04-87	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers																														
Am Consum Prods	M	14.00	.00	.0	14.00	13.50	14.25	8.50	1,029	4.95	2.96	67.2	20.9	.00	.0	.....	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard	N	52.50	.50	1.0	55.00	50.75	55.00	38.00	11,208	3.48	1.65	110.9	14.0	1.80	3.4	.....	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark	M	13.50	- 1.25	- 8.5	14.75	13.50	17.13	10.00	135	.20	.45	- 55.6	15.0	.00	.0	NEW	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld	N	42.00	- 2.75	- 6.1	44.88	41.38	47.38	24.88	13,383	2.82	1.95	44.6	14.5	.90	2.1	.....	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker	N	25.00	- 1.38	- 5.2	26.13	24.25	26.50	15.38	27,290	4.70	2.27	107.0	34.7	.40	1.6	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade	N	82.25	- .13	- .2	84.88	81.38	86.88	55.75	12,525	4.30	2.05	109.8	21.1	1.90	2.3	.....	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1848.2	.2	75.4	33.9	2.47	30.0
Certain-teed	N	42.00	- 2.75	- 6.1	45.75	42.00	45.75	26.88	1,384	.73	.72	1.4	13.3	1.00	2.4	.....	6 mos.	06-87	290.7	1.6	14.8	- 8.6	.77	- 9.4	557.5	3.0	29.3	9.7	1.54	9.2
Champ Intl	N	38.00	- 2.63	- 6.5	41.63	38.00	43.50	24.38	37,483	3.98	1.99	100.0	10.6	.80	2.1	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl	M	10.50	.50	5.0	10.50	9.75	18.25	9.75	1,979	3.89	3.26	19.3	24.4	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus	N	65.88	- 4.13	- 5.9	70.25	65.88	71.88	37.75	12,795	2.58	1.49	73.2	20.5	1.68	2.6	.....	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	16.8	1.47	14.0
DeSoto Inc	N	39.50	- 2.00	- 4.8	42.00	39.50	43.75	34.25	664	1.68	.74	127.0	25.3	1.40	3.5	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp	N	48.88	- 1.63	- 3.2	52.63	48.38	52.63	30.75	5,149	1.65	.96	71.9	NM	1.60	3.3	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.92	29.6	1231.6	18.7	56.8	42.0	1.82	30.9
Georgia Pacific	N	43.13	- 3.13	- 6.8	48.38	43.13	52.75	34.00	41,348	3.74	2.32	61.2	11.6	1.00	2.3	.....	6 mos.	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1
Insilco Corp	N	23.88	- .75	- 3.0	25.25	23.63	28.13	18.31	5,199	2.50	1.34	86.6	15.1	1.00b	4.2	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	.0
La Pacific	N	35.63	- 2.38	- 6.3	39.75	35.25	39.75	24.28	26,203	6.84	2.81	143.4	14.7	.80b	2.2	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel	M	21.00	- .75	- 3.4	22.25	20.88	22.38	8.44	10,872	1.07	.84	27.4	NA	.68	NA	.....	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp	N	3.75	.00	.0	4.00	3.63	5.38	1.63	8,045	3.35	4.33	- 22.6	.9	.00	.0	.....	6 mos.	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp	N	35.00	- 3.75	- 9.7	39.25	34.50	40.88	23.50	24,695	1.87	1.04	79.8	20.2	.40	1.1	.....	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds	M	11.25	.00	.0	11.50	10.75	14.50	10.75	113	.45	.38	18.4	NM	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co	N	40.13	.75	1.9	43.00	39.50	43.00	24.00	1,884	1.64	1.25	31.2	17.3	.84	2.1	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc	N	13.13	- .38	- 2.8	13.88	12.63	17.38	11.75	6,091	3.75	1.30	188.5	10.6	.10	.8	.....	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn	N	23.88	- 2.00	- 7.7	26.88	23.50	32.38	8.88	13,713	3.66	3.50	4.6	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem	A	16.88	- .50	- 2.9	17.50	16.00	18.13	10.00	2,738	2.46	1.05	134.3	17.4	.12	.7	.....	6 mos.	06-87	82.1	38.9	3.8	58.3	.32	6.7	152.7	39.2	7.1	61.4	.61	8.9
Pope & Talbot	N	22.63	- .25	- 1.1	27.25	22.63	27.25	9.50	5,472	4.55	1.34	239.6	10.2	.44	1.9	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp	N	34.75	- 3.00	- 7.9	39.25	34.25	41.88	25.75	3,985	1.49	1.15	29.6	12.7	.84	2.4	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds	N	46.00	- 2.38	- 4.9	50.25	45.50	53.50	31.75	35,577	2.98	1.54	93.5	16.0	1.08	2.3	.....	6 mos.	06-87	1333.7	10.3	102.4	11.5	.85	10.4	2594.5	10.6	189.3	17.6	1.58	16.2
Sherwin-Wms	N	32.75	- 2.38	- 6.8	35.00	32.25	38.50	22.75	12,139	2.73	1.10	148.2	13.6	.56	1.7	.....	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works	N	34.25	- 1.25	- 3.5	36.63	33.88	36.63	24.00	7,171	1.68	.60	180.0	17.1	.88	2.6	.....	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds	N	21.50	- .50	- 2.3	22.00	20.25	22.63	15.50	1,252	1.26	.46	173.9	15.4	.68b	3.2	.....	6 mos.	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind	N	39.25	- 2.13	- 5.1	44.00	39.00	44.00	23.13	7,529	3.12	1.76	77.3	15.6	.12	.3	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp	N	41.00	- 4.00	- 8.9	45.75	41.00	48.19	33.19	23,109	3.14	1.51	107.9	17.6	1.16	2.8	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp	N	45.88	5.50	13.6	47.38	39.75	47.38	31.00	38,830	7.59	2.22	241.9	10.5	1.12	2.4	.....	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim	N	60.00	- .63	- 1.0	60.88	60.00	62.38	32.41	35,638	8.98	5.75	56.2	17.1	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind	M	11.63	- .50	- 4.1	12.00	11.38	13.25	6.34	887	1.40	1.14	22.8	19.4	.10	.9	NEW	fiscal	06-87	32.4	17.0	1.3	30.0	.20	- 37.5	117.1	19.7	3.8	35.7	.60	- 33.3
Weyerhaeuser	N	52.88	- .88	- 1.6	57.50	52.13	60.00	33.75	60,281	4.45	1.89	135.4	21.0	1.30	2.5	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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National
Home Center News ®

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Home centers place increasing emphasis on stockout problem

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Shortly after Mike Cole unlocks the doors of his store in Seaside, Calif., on Monday mornings, he goes to the computer terminal in his office.

Once there, he punches a familiar pattern of keys. After some whirring and clanking from the printer, out pops a report on what items are missing from his shelves.

As president of H&H Home Center, Cole views this Monday morning ritual as indispensable. After reviewing what items from

(Continued on page 95)

Robert Swanson, senior vp for Lowe's, said stockouts can cost dealers more than just a sale. But he questioned the economic feasibility of being "100 percent in stock" all the time.

Rising lumber prices leave dealers scrambling for stock

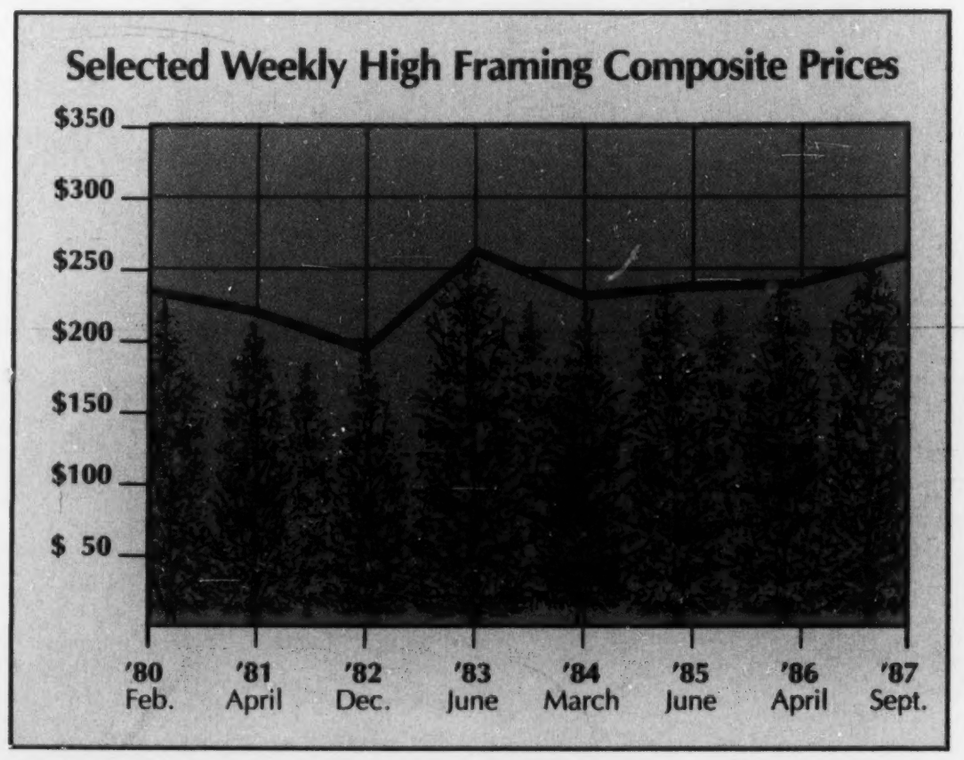
By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Walt Binney, the manager of Cash Bargain Lumber in Kansas City, Mo., never expected the local Builders Square to become a fill-in supplier of plywood for his store.

But in the closing days of summer, Binney's unit had exhausted its plywood inventory, suppliers had dried up and contractors refused to accept nonveneer structural panel substitutes. So he found himself going to Builders Square, which was selling ½-inch CDX for $6.99 a sheet, a competitive price to Weyerhaeuser or Georgia-Pacific area distribution centers.

Binney's dilemma illustrates clearly the problems home center lumber buyers faced during the latter part of August to early September as lumber and plywood prices soared to record levels and supplies became spotty.

(Continued on page 22)



This summer, as lumber supplies dried up, prices approached record levels for the decade.

Farm supply firm opts for DIY with six units

By Gary S. Ruderman
NHCN staff editor

FORT WAYNE, Ind. — Situated between a new Builders Square and one of Payless Cashways' older Furrows units is a Big R Store, part of a six-unit Indiana operation that's undergone a name and merchandising change to compete in a new era.

Still known corporately as Fleet Family Stores, Kokomo, Ind., the renamed Big R units shed their agricultural orientation as the farm economy sunk. It brought in new lines to convert the stores' 25,000-square-foot to 40,000-square-foot stores to home centers.

"We've been a fleet supply store since we started out [in 1961]," said Keith Dawson, a senior buyer in Kokomo, "but we're not a farm store anymore."

A signal of the changes became evident when the Ag and veterinarian supply department, once a Fleet Family staple that took up the entire rear section of the stores, was rele-

(Continued on page 95)

Fleet Family Stores has opted to move away from its traditional niche in farm supply, converting six units in Indiana to home centers. NHCN photo

U.S. vendors line up to reap dividends from Olympic Games

By an NHCN staff editor

NATIONAL REPORT — With six months to go before the Winter Olympic Games open in Calgary, Alberta, American vendors are lining up to reap the dividends associated with either official sponsorship or some variety of advertising support.

Already involved to some extent with the games (either as sponsors of the U.S. Olympic team or as advertising sponsors for the ABC broadcasts) are companies as diverse as Louisiana-Pacific, Briggs and Stratton, K mart, 3M and Stanley Works.

(Continued on page 95)

Manufacturers sell programs with new package designs

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — It's a family affair.

That's what manufacturers are discovering when it comes to packaging their products. In recent years, Stanley Works, Black & Decker, Emhart, American Standard, Universal-Rundle and USG Industries are among the myriad vendors that have revamped their packaging. The new look for all their products has created a "family" of items with corporate and brand identities with which consumers can more easily relate.

In doing so, manufacturers also appear to be paying more attention to the concerns of retailers.

"The problem we have generally found with packaging is that people are concerned about making it look good, but not about making it function well," says Tom Herward, vp-marketing and merchandising for Pittsburgh-based Busy Beaver.

"Now, that seems to be changing. People seemed to be concerned with both."

When Emhart redesigned its packaging, the aim was to make it more convenient for retailers and strengthen the Emhart name.

"Many people knew the individual products, but didn't know Emhart was behind them," notes David C. Musket, marketing manager of the company's home products division in Reading, Pa.

"Companies don't really realize how valuable their brands are," says Jack Vogler, senior vice president for San Francisco-based Landor Associates, the company that masterminded the Emhart repackaging, as well as the redesign of Black & Decker's logo and packaging.

Vogler says name recognition in the store is becoming

(Continued on page 96)

INSIDE

Home Fashions
Home centers in all parts of the country have been adding home decor items to their product mixes. However, many chains and independents claim to be having difficulty incorporating this merchandise into their project selling.

NEWSBREAKS

BIG TOOL BOX EXPANDS: The $4.7 million Aurora, Colo., independent will nearly double its sales from its purchase by Colorado Home Improvement Center. The buyer will rename its two other Denver hardware stores Big Tool Box.

HOME DEPOT SUES TO PROTECT NAME: The Atlanta chain filed suit in U.S. District Court against Office Depot, the seven-unit Boca Raton furniture specialty operation, which Home Depot claims has infringed on its name, advertising and store design.

INDUSTRY UPDATE

Westlake to close Lindsley deal

SAN ANTONIO, Texas — Lone Star Hardware here, a Westlake Hardware subsidiary, was expected to close the deal for its acquisition of the 21-unit Lindsley Home Decorating Centers in Miami by late October.

William Nightingale, president of Nightingale & Associates, New Canaan, Conn., the firm representing Lindsley, confirmed that an agreement was reached the week of September 14, but declined to say how much the acquisition cost Lone Star or its parent Westlake, Lenexa, Kan.

Antonini new K mart chairman

TROY, Mich. — Joseph Antonini, the president and ceo of K mart, became its chairman on October 1, replacing Bernard Fauber who retired on September 30 after 45 years with the firm.

The 46-year-old Antonini is a 23-year veteran of the nation's second-largest retailer and its sixth chairman.

He has worked in a wide range of positions, starting as a management trainee in 1964 and going up through the store- and corporate-level management ranks. In 1984 he became president and coo of K Mart's Apparel division; one year later he was named an executive vp of the firm.

A graduate of West Virginia University, Antonini is now running the 88-year-old firm with sales last year hitting $23.8 billion from 4,000 units that include the Builders Square chain.

Terry arson unresolved

SIMI VALLEY, Calif. — Despite a $10,000 reward being offered by The Terry Cos., no one has been arrested yet in connection with an arson blaze at the company's lumberyard here, chairman Terry Mullin said.

Mullin said "business is ongoing" at the lumberyard, which has been open during its regular hours since the mid-July fire. Fire investigators estimated damages to a large storage shed at $500,000. "The sales volume [at Simi Valley] is higher now than before the fire," Mullin added.

Nail supply ample for 4th qtr.

NATIONAL REPORT — The mid-summer shortage of nails evaporated quickly and both retailers and wholesalers report ample supplies heading into the traditionally quiet fourth quarter.

A combination of low interest rates that sparked heavy home building and marginally lower imports caused unprecedented demand this summer, forcing wholesalers to allocate monthly retail shipments.

Dave Oberbillig, vp-sales at Northwestern Steel & Wire in Sterling, Ill., said accelerated summer production by domestic suppliers combined with a slowed demand—due to higher interest rates—allowed inventory to build.

Allied adds 2 distributors

CHICAGO — Allied Hardware Services, a wholesaler buying group, boosted to 30 the number of its member distributors with the addition of Galbraith Steel & Supply Co., Dallas, and B.E. Atlas Co., Chicago.

The $7 million Galbraith Steel has 300 accounts in Texas and Oklahoma, serviced from distribution centers in Lubbock and San Angelo, Texas. The $19.5 million Atlas operates two DCs in Chicago, supplying hardlines to 1,000 primarily home center accounts in three states.

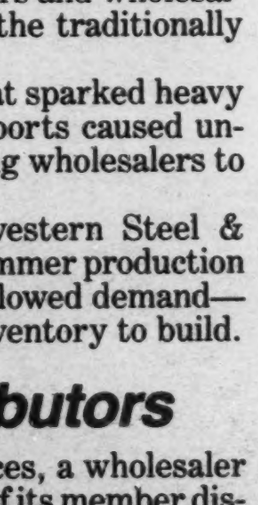
Stocks still on decline

NEW YORK — Wall Street continued to batter the price of home center stocks for the two-week period that ended Sept. 18. Of 59 stocks watched for *NHCN* by Media General, 41 declined in price while 14 increased.

Among retailers, Strober Organization increased by 4.9 percent to $10.75. Scotty's increased by 1.8 percent to $14.25.

General Building Products, a new addition to the list, declined by 4.7 percent to $10.25. Payless Cashways declined by 11 percent to $18.25 on news of its third quarter earnings decline. National Hardgoods Distributors declined 9.9 percent to $8.

Among wholesalers, Stanline went up 3.8 percent to $13.50.



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HQ Warehouse targets $15 mil. through 1.25 mil. share offering

By an NHCN staff editor

VIRGINIA BEACH, Va. — Home Quarters Warehouse, the chain of seven warehouse home centers based here, said it would raise close to $15 million in an initial public stock offering.

Offered by a group of underwriters managed by William Blair & Co., Chicago, the 1,250,000 shares are expected to be sold by the last week of October.

The bulk of the cash proceeds are expected to be used to fund expansion. About $5 million from the offering will be used to reduce existing debt.

In its preliminary prospectus of September 18, the company said it planned to open an additional five stores by the end of its 1988 fiscal year which ends January 1989. Two of the stores will be located in Charlotte, N.C., and the third in Charleston, S.C.

Two additional stores will be located in other markets that have yet to be determined.

All but one of the chain's seven units have showrooms in excess of 69,000 square feet. The exception is a 29,000-square-foot unit in Tallahassee, Fla., that primarily sells hardlines.

"We have always felt that at some point this would be an event we would do," said Frank C. Doczi, president of HQ, speaking of the public offering. "Our performance has been such that the decision was accelerated."

For 1986, HQ earned net income of $1.1 million on sales of $65.4 million, on a *pro forma* basis.

For the first six months of this year, the company earned $770,644 on sales of $42.9 million. The earnings include $150,000 in an after-tax gain from an operating loss carryforward.

W.R. Grace & Co. created HQ as a subsidiary in August 1984. In October 1986, the assets were purchased by certain management personnel. The buyers included HQ's chairman Bernard R. Kossar and Doczi.

To facilitate the continuing *(Continued on page 95)*

Retailers post strong 2Q sales gains

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Led by exceptionally high demand for lumber and by an increase in renovation projects, many home improvement retailers posted strong sales gains for the second quarter and are optimistic the trend will continue for the balance of the year.

However, some companies were more positive about their business than others. Citing persistent regional difficulties, retailers with operations in the oil patch and the farm belt regions said the struggle for profitability continued.

This was the case for Payless Cashways which saw its earnings for the period ended August 31 plummet 17 percent, partially as a result of operating 65 of its 188 stores in chronically depressed Texas, Oklahoma and Colorado.

Payless' quarterly net income fell to $11.1 million from $13.4 million in 1986. *(See story page 12.)*

Outside of the southern farm belt and oil regions, many home center operators were encouraged by their units' second quarter results.

Turning in one of the stronger performances was Wolohan Lumber Co., Saginaw, Mich., whose second quarter sales jumped 17 percent, spurred mostly by vigorous contractor activity.

Sales for the quarter were $64.5 million compared to $55 million for the same time period last year.

Company's margins improve

Robert G. Honaman, vp-administration for the company, said opportunistic commodity purchases taken earlier in the year and the refinement of some retail management practices combined to improve the company's margins as well.

Honaman said contractor sales went up 26 percent, while DIY volume rose 16 percent.

"We think our markets are going to remain strong," said Honoman, who was less sure about third and fourth quarter results because of rising interest rates.

The Home Depot showed similarly healthy sales activity for the quarter, reporting a revenue gain of 45 percent to $381 million. Comparable store sales rose 20 percent (*NHCN*, September 7).

Ron Brill, senior vp and cfo for the Atlanta-based chain, attributed the company's impressive performance to management and merchandising concepts enacted in 1985 coming to fruition. These included hiring outside financial advisers to reduce construction and energy costs. This was supplemented by clamping down on payroll costs and advertising expenditures.

"Our second quarter comparable store sales were very good and that helped our earnings," Brill said.

Some manufacturers assessing the activities of their retail customers were surprised by the industry's strong performance.

"It's hard to pinpoint why business was so good this summer," said Bob Turner, a corporate spokesperson for Champion International, Stamford, Conn. "People thought business would be off with mortgage rates rising, but that didn't seem to have

(Continued on page 95)

Fla. governor calls for repeal of ad tax

By an NHCN staff editor

TALLAHASSEE, Fla.— Florida Governor Bob Martinez has reversed his stance on the controversial advertising and services tax.

In preparation for a special legislative session regarding the future of the tax, Martinez has called for a complete repeal effective Jan. 1, 1988.

He is also calling for the state legislature to enact significant reform in the way the Florida budget is written. A third part of his message, issued Sept. 18, was, "Don't even think about replacing the service tax dollars until after the reform," said Jon Peck, deputy press secretary.

Prior to the special session, Peck speculated that the Florida Senate seems willing to repeal the tax, but the House seems more inclined to call for a revision of the measure.

The special session was called for Sept. 21. It could not be determined how long such a session would take.

At the same time in New York, discussion of the tax was on the agenda at the board meeting of the Association of National Advertisers.

The law, in its brief tenure, has met with opposition from home center suppliers. While some have considered boycotting advertising in the state, others are involved in lawsuits against the state that challenge the law on constitutional grounds such as taxing free speech.

Retailers have taken more of a grin-and-bear it attitude, due in large measure to the competitive nature of the Florida market. The tax was designed to raise revenue for the rapidly expanding state. An immediate repeal of the law could result in drastic budget cuts because Florida currently has no state income tax.

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Overseas tool makers manufacturing in U.S.

by Suzanne Floyd
NHCN staff editor

NATIONAL REPORT—Several foreign-based power tool makers have decided that manufacturing in the United States is economically sound and fosters good business relations.

Their production emigration is part of a larger trend of Asian and European firms—primarily led by car makers—setting up manufacturing shop on American soil. A number of foreign manufacturers of home improvement products have participated in this activity, but perhaps none so aggressively as power tool producers.

They are looking to address what continues to be a problem for U.S. dealers who want to buy from overseas firms, but are reluctant to commit to container-load quantities; and those who continue to prefer ordering from U.S.-based suppliers.

The West German-based Bosch Power Tools has had a manufacturing beachhead in New Bern, N.C., for more than a decade, and plans to expand its American operations.

Last year, Japan's Ryobi Limited decided to diversify into other areas. That diversification plan included buying into an existing plant formerly owned by Inertia Dynamics Corp. (IDC), Chandler, Ariz., a maker of string trimmers and blowers under theRyan name and private label.

Ryobi owns 34 percent of the company, and plans to acquire over 90 percent by the year's end. The resulting company is Ryobi Electric Tool Manufacturing.

Currency changes a factor

"The yen versus the dollar was obviously a part of the overall decision," explained Joseph Kuti, president of Ryobi America Corporation, Bensenville, Ill. But, "if we had not acquired IDC, we would have started manufactur-

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Payless and Builders Square top industry TV ad spenders

By an NHCN staff editor

NEW YORK — Payless Cashways continued to lead the industry in television advertising spending for the period of January through June, 1987, according to the Television Bureau of Advertising (TvB) here.

Payless, the Kansas City, Mo., chain that has spent more than $100 million for all media over the past six years, increased its expenditure for TvB by 18 percent to $4,578,700 over this eight-month period, compared to 1986 data. The company would not comment on its use of television.

Brenda Nolte, a spokesperson for Payless, disputed the accuracy of TvB's numbers, though she declined to provide more precise information. Earlier last month, Payless chairman David Stanley, in an interview with *NHCN* on another subject, said his company "spends more on media than any other chain in the industry." A TvB source explained that the Bureau is not always privy to proprietary corporate data. Nevertheless he asserted with certainty that Payless outspends the rest of the industry, regardless of how far off TvB's numbers may be.

Builders Square ranked second in spending at slightly more than $4 million. Randy Crimmins, target marketing public relations manager, said that the 48 percent increase was due to chain expansion and that television is the medium used to create awareness in new markets. He noted,

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Leading Home Center Television Advertisers
January/June 1987

	Jan/June '86	Jan/June '87	% change
Payless Cashways	$3,884,000	$4,578,700	+ 18
Builders Square	2,783,300	4,128,400	+ 48
Wickes Companies	4,694,800	2,926,100	– 38
Pay 'N Pak	1,511,100	1,819,500	+ 20
Grossman's	582,700	1,688,800	+190
The Home Depot	1,332,000	1,443,200	+ 8
Scotty's	693,400	942,700	+ 36
HomeClub	578,000	894,900	+ 55
Menard Cashway	598,100	821,600	+ 37
Lowe's	620,600	776,500	+ 25
National Lumber	604,200	654,300	+ 8
Handy Andy	492,100	650,100	+ 32
Hechinger	265,300	505,100	+ 90
Pergament	323,100	433,400	+ 34
Sutherland Lumber	414,700	426,700	+ 3

Notes: All of the above advertise in more than one television market, except where noted.
Co-op advertising is not included, but credited to the manufacturer by BAR.
Source: Television Bureau of Advertising from analysis of Broadcast Advertisers Reports data.

Officials determine Diamond fire arson

By an NHCN staff editor

INDEPENDENCE, Mo. — A fire at a closed Diamond Lumber store here was arson, fire department officials have determined.

"There is no doubt in our mind," said Dale Reynolds, assistant fire chief for the city, about the Labor Day fire.

The investigation continues

Reynolds said an investigation showed the fire had started in several locations, and could not have been caused accidently.

He said the department was continuing its investigation, but said it is a policy not to discuss the investigation unless charges are brought.

The fire, which began about 10 p.m., damaged a building containing some molding and trim.

Reynolds said a second, larger building was three-quarters intact with no smoke or fire damage. There were no injuries.

'Nominal' damage

Jerold Grubstein, president of Michigan General, Diamond's parent, could not put a dollar amount on the damage, but called it "nominal. We're not talking about hundreds of thousands of dollars here. We're probably not even talking about tens of thousands."

Grubstein said the store was closed several months ago as part of Diamond's Chapter 11 restructuring, and most of the merchandise had been removed. He said the property is for sale.

Redding, Calif., dealers unfazed by competition

By Brad Altman
NHCN staff editor

REDDING, Calif. — Traditionally, this is a region of "friendly rivalries" among DIY dealers, said an assistant manager of the Standard Brands Paint Co., whose store is right next door to a Pay 'N Pak unit.

Nevertheless, a new era could be emerging with the arrival of the first Payless Cashways-owned Lumberjack to this northern California city.

The new Lumberjack is scheduled to hold its grand opening in November and will be competing with several firmly entrenched retailers.

This opening is part of a larger expansion that is making Redding one of the more competitive regions in California. Standard Brands opened a 5,000-square-foot Home Decorating Center last January, according to Jim Sievers, its assistant manager.

Meeks Building Center, which has been in this market for several decades, just completed a second expansion of its larger Redding store, which now has a 16,000-square-foot sales floor on 10 acres.

There is a smaller 6,000-sq.-ft. store on Market Street. It gets around 65 percent of its sales from contractors.

The market is well represented—some say overstored—by such DIY players as Builders Emporium, Grossman's, Pay 'N Pak and Pay 'n Save Home Center.

However, no one in this rural community market believes this heated competition will ignite a cutthroat retail battle or heighten dealers' anxiety levels much. Indeed, underscoring the "friendly" atmosphere, single-unit Moss Lumber based here supplied the lumber that was used to build the Lumberjack facility.

The Payless Cashways-owned Lumberjack is scheduled to hold its grand opening in Redding, Calif., in November. NHCN photo

'Muddying the water'

Charlie Moss, vp of the family-owned, 12,000-square-foot Moss Lumber whose retail volume is around $12 million, doesn't appear too worried about the new kid in town.

"Lumberjack may muddy the water by blowing out cheap prices, but we're not really into that," said Moss, whose business is 60 percent contractor driven.

"Whoever did the marketing survey for Lumberjack and decided to build a facility here should have his head examined," said Moss. "There already is tremendous competition for the DIY business."

Fast growth area

With all these new entrants into the market, the good news for Redding dealers is that, so far, Builders Square, HomeClub and The Home Depot have not announced plans to enter this market.

Redding is one of California's most attractive cities, dotted with oak trees, divided by the Sacramento River, surrounded by forest-covered mountains and in the picturesque presence of 14,162-foot Mt. Shasta, 70 miles to the north.

It is also becoming a market to be reckoned with in the home improvement industry. According to *Sales and Marketing Management's Survey of Buying Power* (July 27, 1987) Redding ranks 198th among all U.S. metropolitan areas for building material and hardware store sales, totaling $72,412,000.

Redding grows rapidly

Redding has been growing rapidly, according to Moss, who served on the city planning commission for 12 years until this past April.

Moss pointed to signs of robust economic activity, including several major shopping centers, three hospitals and a convention center that make Redding northern California's regional center and the most populous city in the northern third of the state.

"Redding has some fantastic long-term potential," Moss continued. "When I joined the Planning Commission, Redding had a population of 18,500. Today, its population is about 53,500."

Moreover, Redding is located in Shasta County, which has a population of about 130,000.

There are an additional 130,000 persons in the five surrounding counties, meaning there are "a quarter of a million people spread out in six counties" in this part of California.

Within the city limits in the last five years, "Redding has seen an annual growth of 3 percent to 4 percent per year," Moss added.

However, some question how much business a market this size can absorb. "The market is just too small to support a warehouse," said Ken Walsh, general manager of the western division of Meeks Building Centers.

26,000-sq.-ft. Lumberjack

As proof of the market being overstored, Moss asserted that in the past decade, four lumberyards have shut down, but also said that the remaining independent lumberyards are "well-financed and can ride out some tough times."

Still, Moss expects Lumberjack will "make life miserable for dealers who deal basically with DIYers."

Lumberjack is on the eastern edge of town at the intersection of Airport Road

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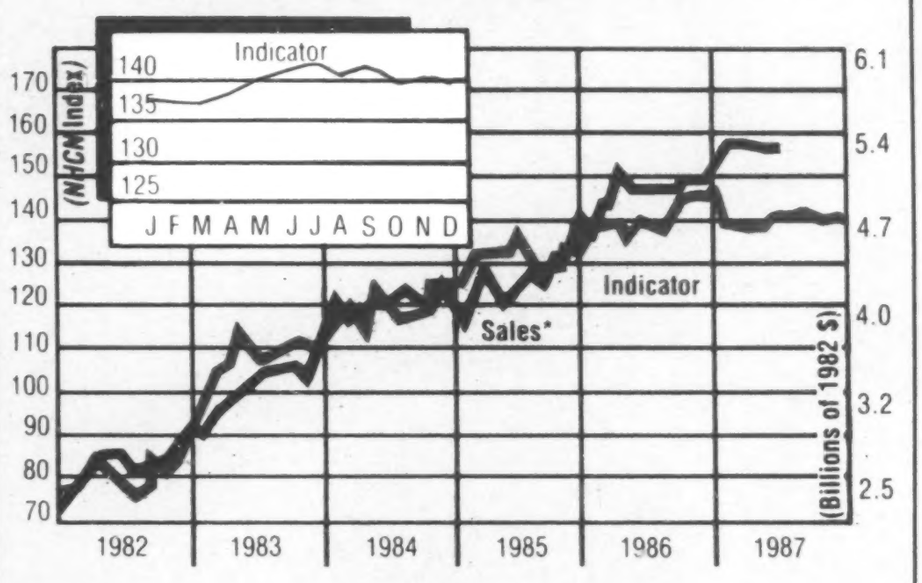
BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NCHN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales increased slightly in the second quarter, but the rise in mortgage rates suggests weakness in starts and resales ahead.

Improving agricultural base boosts building material sales

By Richard E. Mount
Special to NHCN

The agricultural base of the West North Central states is on the mend in 1987, improving the economic climate for building material sales.

The manufacturing sector paints a mixed picture, however. For 1987, we expect retail building material sales to rise 14 percent in the region, faster than the 10 percent national average. Discounting the influence of inflation, unit sales for the region should rise 9 percent.

Nationally, net farm income should increase 14 percent this year to $42.7 billion, from $37.5 billion in 1986. Higher cash receipts for livestock, which will offset declines in the volume of crop sales, continued large government outlays in farm support programs and declines in the costs of agricultural production will boost farm income.

Richard E. Mount

World markets present a mixed picture for American agriculture. U.S. exports will be up sharply in volume because of the lower dollar and reduced wheat production overseas. But agricultural prices will also be down, limiting farm receipts from international sales.

Within the diversified farming sectors of the West North Central states, local economies in most areas will improve from the very low levels in recent years.

The U.S. corn crop will de-

(Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1986				1987						
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		124.7	127.9	136.2	139.1	141.1	143.8	146.3	143.6	118.5	132.0	143.7
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	63,708	64,396	62,956	64,584	69,660	68,780	72,672	74,560	55,695	65,529	71,418
	New England	3,012	3,270	3,435	3,488	3,672	3,869	3,830	3,907	2,597	3,301	3,819
	Middle Atlantic	7,468	7,896	7,956	8,274	8,600	9,286	9,280	9,484	6,427	7,899	9,163
	East North Central	9,864	11,647	11,365	11,627	11,515	12,809	12,928	13,279	10,081	11,126	12,633
	West North Central	3,938	4,423	4,600	4,610	4,626	5,159	5,036	5,152	4,114	4,393	4,993
	South Atlantic	14,006	13,410	12,099	12,405	13,964	12,896	14,622	15,016	11,135	12,980	14,124
	East South Central	3,717	3,800	3,665	3,549	4,120	3,967	4,208	4,339	3,104	3,683	4,159
	West South Central	8,328	7,653	7,057	7,052	8,109	7,448	7,856	8,060	7,320	7,523	7,868
	Mountain	3,660	3,308	3,352	3,508	3,797	3,428	3,888	4,004	2,956	3,457	3,779
	Pacific	9,715	8,988	9,427	10,071	11,257	9,918	11,024	11,318	7,827	9,550	10,879
Constant	**Millions $1982 SAAR Total United States**	59,719	62,132	59,866	60,242	64,420	63,411	65,750	66,200	52,663	60,490	64,945
	New England	2,823	3,155	3,266	3,254	3,396	3,567	3,465	3,469	2,463	3,125	3,474
	Middle Atlantic	7,000	7,618	7,566	7,718	7,953	8,561	8,396	8,421	6,096	7,476	8,333
	East North Central	9,246	11,238	10,807	10,845	10,649	11,809	11,697	11,790	9,564	10,534	11,486
	West North Central	3,691	4,267	4,374	4,300	4,278	4,756	4,556	4,574	3,903	4,158	4,541
	South Atlantic	13,129	12,939	11,505	11,571	12,914	11,889	13,229	13,333	10,562	12,286	12,841
	East South Central	3,484	3,666	3,485	3,310	3,810	3,657	3,807	3,853	2,944	3,487	3,782
	West South Central	7,807	7,384	6,711	6,578	7,499	6,867	7,108	7,156	6,944	7,120	7,157
	Mountain	3,431	3,192	3,187	3,272	3,511	3,160	3,518	3,555	2,804	3,271	3,436
	Pacific	9,107	8,672	8,964	9,394	10,410	9,144	9,974	10,049	7,425	9,034	9,894
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	4.73	5.08	5.46	5.40	5.27	5.63	5.27	5.24	4.68	5.17	5.35
	Middle Atlantic	11.72	12.26	12.64	12.81	12.35	13.50	12.77	12.72	11.58	12.36	12.83
	East North Central	15.48	18.09	18.05	18.00	16.53	18.62	17.79	17.81	18.16	17.41	17.69
	West North Central	6.18	6.87	7.31	7.14	6.64	7.50	6.93	6.91	7.41	6.87	6.99
	South Atlantic	21.98	20.82	19.22	19.21	20.05	18.75	20.12	20.14	20.06	20.31	19.77
	East South Central	5.83	5.90	5.82	5.50	5.91	5.77	5.79	5.82	5.59	5.76	5.82
	West South Central	13.07	11.88	11.21	10.92	11.64	10.83	10.81	10.81	13.19	11.77	11.02
	Mountain	5.74	5.14	5.32	5.43	5.45	4.98	5.35	5.37	5.32	5.41	5.29
	Pacific	15.25	13.96	14.97	15.59	16.16	14.42	15.17	15.18	14.10	14.94	15.23
Industrial Production												
Index (1977 = 100)	Brick	90.3	91.1	94.0	96.3	98.1	97.1	95.4	92.3	88.5	92.9	95.7
	Cement	114.7	108.7	105.6	108.0	117.9	111.1	105.2	104.7	105.7	109.3	109.7
	Gypsum Wallboard	132.8	133.7	132.3	134.5	134.6	134.2	133.1	132.1	126.4	133.3	133.5
	Hardware	99.9	102.1	104.1	102.2	102.9	103.8	103.2	102.9	100.9	102.1	103.2
	Lumber Products	130.3	132.8	134.1	135.9	139.8	143.7	138.2	131.6	122.9	133.3	138.3
	Paint	101.1	103.0	100.2	96.4	100.0	97.3	106.4	105.2	101.9	100.2	102.2
	Plywood	154.5	161.4	164.3	166.8	175.6	181.0	175.0	162.0	138.7	161.8	173.4

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
August 21, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*